

THE ENTRANCE OF GREECE IN THE
EUROPEAN ECONOMIC COMMUNITY

A THESIS

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This is dedicated to
my family.

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CHAPTER I

Introduction

Building on its unique geographic location at the meeting point of Europe, Asia and Africa, Greece long ago established itself as a cultural bridge and a major trading nation. Today it is attracting new attention as a crossroads for international business.¹ Several recent developments have helped to bring this potential into focus. First the emergence of the oil-rich Middle East as a major new market--and one in which Greeks have long business experience. Greece's geographic proximity to the Middle East (and East Africa) is enhanced by the reopening of the Suez Canal, which Greece's merchant fleet---the world's largest---has been quick to exploit. The Greeks thus see themselves as a natural intermediary between Europe and the Arab markets as well as new African markets looming on the horizon, and are encouraging foreign companies to set up manufacturing in Greece with an eye on exporting to both areas.

Finally, Greece's bid for full membership in the European Community, although primarily inspired by political motives, also has important business implications. The purpose of this study is to examine and to analyze the impact and effects that a new economic colossus, the European Community (EC) has had to Greece, as its tenth and newest member. The entrance of Greece into the Common Market will be extensively detailed, especially from the economical and political

point of view, with a particular emphasis to the problems, that Greece is facing or will face in the future.

The first chapter will focus on the historical review of the economical structure in Greece. It will focus on the national economy, with more emphasis given to the agricultural, industrial and trade sector, so the reader will become familiar with today's economic picture.

The next chapter will deal with the foundation of the European Economic Community. It seemed natural to begin from the beginning and to show how the present set-up grew out of an age-old feeling that Western Europe somehow belongs together. The next step is to look at the individual states, describe them briefly, and explain how they fit into the whole scheme. Analyzing two main policies, the agricultural and the industrial, the chapter will end with an attempt to consider how far the Community has achieved and is achieving the objectives, as well as how it appears in the future.

The third chapter, which will be the main body of my study, will investigate the case of Greece related with its entrance in the European Economic Community. It will deal with the problems that appear in various economic sectors, as well as the changes that have to be made coming from the association agreement, emphasizing the agricultural, industrial and trade sector. An extensive analysis will be presented, referring to the advantages or disadvantages that both sides may have. Analyzing some important actions for a successful membership, my study will reach the general conclusions of this entrance.

Greece had applied for full membership in the European Economic Community not only out of her desire to benefit from the advantages of economic unification, however considerable they may be, but because Greece wants to be part of the broader political and economic alliance that the Community will eventually turn into.

The first step towards the unification of Europe was taken through the establishment of the European Economic Community. Since then, the EEC has suffered numerous setbacks, but the need to survive and consolidate its economic and political power has enabled it to overcome the obstacles and to deal effectively with successive crises.

I am convinced that the Community will continue to advance in the direction of complete economic, monetary and political union. The initial entry of Greece was in the beginning of 1981 and it will be followed by a five-year transitional period. Her membership is as much indispensable to Greece as it is to Europe, which will thus gain an outpost of West European ideals in the eastern Mediterranean region.

CHAPTER II

HISTORICAL REVIEW OF THE ECONOMICAL STRUCTURE IN GREECE

Historical Review

The reason that the small greek population went through all the paths of the scientific thought and created a big spiritual civilization, is its form of government, the Democracy. Even through the 4000 year Greek history, it seems that the average Greek of classical times must have had most of the characteristics of the modern Hellenes. However the Greeks have had no single, unchanging elements of identity that a historian might use as a connecting theme. How can one speak of continuity then? There is one element that seems to transcend all other aspects of identity. It is the belief in being "Greek." In the 19th century and the early part of the 20th the Greek government tried to extend its sovereignty over all adjacent lands inhabited by those who believed themselves to be Greek. The effort had its moments of triumph and fulfillment, but it finally ended in 1922 with the Asia Minor catastrophe. Since that time the Greek nation-state has taken in the main its present form. Today Greece is one of the most homogeneous states in the world. Greeks can now be found in many parts of the world, whatever their formal citizenship, they share in this feeling of Greekness.²

Physical Environment

Greece is part of the Balkan Peninsula on its northern boundary,

the other three sides are bounded by seas and so there is no point on the mainland that is very far from the sea. The proximity to the sea and the paucity of good arable land have made the Greeks seafarers. Greece occupies 50,960 sq. miles but because of its configuration and the fact that about 20 percent of its territory consists of island (1200 is their number), its size is deceptive.

The country is mountainous with a few high mountains though and some small rivers. The hot, dry summers and damp, cold winters of the Mediterranean climate prevail generally throughout the country, with local variations. Greece is an area of frequent earthquakes in its history.

Flat land and mineral resources are scarce in Greece. Some areas which were malarial swamps early in the 20th century have been reclaimed and more modern farming methods have aided production on the fertile plains that exist. The mineral resources which were important to ancient civilizations have long since disappeared. However, lignite, bauxite and magnesite are being mined and recently oil reserves have been discovered.

Economy

With dynamism, resilience, and adaptability, the Greek economy is developing at a steady rate, with better results than almost any

other country of the West, and particularly of the EEC, of which Greece became the tenth member on May 28, 1979, with the signing in Athens of the Treaty of Accession. (It was formally completed on January 1, 1981). The organizational changes which have occurred in nearly all areas of the Greek economy over the last twenty years have been swift and spectacular. During that time the country has acquired an industry of importance and the largest merchant fleet. It has penetrated deep into the markets of Europe, America and the Middle East, and has already moved into the category of economically developed countries.³

This impressive development of the Greek economy takes on additional significance when one realizes that Greece achieved her freedom and independence only 154 years ago---after she had remained under Turkish rule for four centuries (1453-1828)---with the result that she did not benefit from the Industrial Revolution which was taking place in Western and Central Europe. The development of the Greek economy was interrupted in 1940 by the Greek-Italian war and the German occupation which followed. A large part of the country's fixed assets (industries, ships, houses, public works, roads, communications, etc.) was destroyed. The work of rehabilitation began after 1950, with real progress beginning to speed up after 1958. Three years later Greece became an associate member of the Common Market. The upward trend in the Greek economy speeded up to a significant degree in 1980, compared with 1977. The Gross Domestic Product (at 1970 standard prices) increased by 5.8 percent as against 3 percent in 1977. The rise in the Gross National Product was more rapid. In 1980 it rose by 5.9

percent as against 3.8 percent in 1977. The faster rise of the GNP is due to the fact that the net increase in indirect taxes more than covered the decline which was observable in the net income of the country from abroad. At current prices, the increase in the Gross National Product in 1980 was 18.7 percent as against 17.4 percent in 1977. The income from the primary sector (agriculture, livestock breeding, forestry, fishing) is estimated to have increased by 6.5 percent, as against a decrease in 1977 of 6.9 percent. The rise in income in this sector was due to the major increase in agricultural production, thanks to the extremely good weather conditions which prevailed throughout almost the whole of 1980 and favored corn production, which was chiefly responsible for the product increase. On the other hand, livestock production remained at roughly the same level as in 1977. Income from the secondary sector (mining, quarrying, industry, construction, electricity, etc.) increased by 6.6 percent, as against 4.7 percent in 1977. This speeding up resulted exclusively from industrial production and public utilities. On the other hand, income from construction slowed down, while income from mining and quarrying production dropped. More particularly, income from manufacturing increased by 6.5 percent as against 1.5 percent in 1977. This increase of more than four times over in income from manufacturing was due to a more lively demand for industrial products at home and to a relative increase in demand for Greek industrial products abroad during the second half of 1978.³

The income from public utilities increased in 1980 by 11 per-

cent as against 10 percent in 1977. This speeding up is due to the increased demand for electric current for both industrial and domestic use. There was a slowing down in the rise in earnings from construction. This was a result chiefly from a slowing down in private building activity. Finally, income from mining and quarrying was down by 1.8 percent. This reduction was the result of a decline in the production of bauxite, iron ore, nickel, and magnesite.

The total expenditure of the economy (private and public consumption plus gross fixed asset formation and change in stocks), at stable 1970 prices, increased by 5.3 percent. In 1980, 81.9 percent of the Gross National Product was spent on consumption, or against 82.9 percent in 1977. This reduction in spending on consumption represents a corresponding improvement in the organization of national expenditure. Employment within the economy, except in the agricultural sector, increased at a relatively rapid rate in 1980. The increase in employment in the urban sector of the economy absorbed nearly all the new work force provided by the natural increase in the population and the return of emigrants and other Greeks from abroad. Thus the percentage of the unemployed remained at 2 percent.³

In the context of the obligations, rights, and opportunities which Greece's full membership of the European Communities brings, the basic aims of state planning, as laid down by the Greek government, are:

1. Continued economic growth at a rate which will assist effective accession to the Communities as well as efforts to combat inflation.
2. The ensuring of full employment.

3. The curbing of social and regional inequalities and the improvement of public services and of the quality of life. The Government describes these orientations of policy as basic and places them within the context of its more general effort to protect democratic institutions and to strengthen the country's capacity for self-defense.

The general principles in the strategy for promoting these aims are the encouragement of private enterprise and the active support of the State, which, within the terms of a free economy, programs the exploitation of all the opportunities offered by full membership of the EEC, the improvement of the human element, of technology, and of capital equipment, and finally, the improvement of the organization and effectiveness of the mechanism of production (increase of productivity, modernization, etc.).

The general aim which has been set for the next few years is the increase of the Gross Domestic Product at an average yearly rate of 6 percent and the ensuring of a satisfactory level of employment for the labor potential. A more particular aim is to increase manufacturing output at an average annual rate of 7 percent to 7.5 percent so as to achieve a real improvement in the composition of production. Also part of the program is an increase in gross fixed asset formation at an annual rate of approximately 9 percent, so that the formation of capital will be significantly speeded up. In order to ensure an internal balance in the economy it is planned during the next few years to control inflation by a combination of monetary and budgetary policies with a price and income policy. Thus, economic policy is

is designed to lessen gradually, to a level close to the EEC average, the rate of price increases, which in 1978 was limited to 11.5 percent. At the same time, every effort is being made to limit deficits in the public sector, to increase saving (reserve funds) and to spread the weight of taxation more fairly.

In order to maintain the external balance of the economy, promotion of exports is aimed at thorough improving the system of export incentives and the exploitation of the opportunities offered by the markets of the Middle East and the EEC, together with the reasonable substitution of imports. An attempt will also be made to attract business capital and savings from Greeks living abroad.

Agriculture

There are 3.6 million hectares of agricultural land in Greece, divided into about one million agricultural holdings. The agricultural economy today covers about 17 percent of the Gross Domestic Product of Greece. In 1958 about half the working population of the country were farmers and stockbreeders (approximately 3 million persons). Today the working population involved in farming and stockbreeding is no more than 28.8 percent of the total working population. The total number of people working in agriculture in Greece today is 1,751,140 of whom only 49.4 percent are fully employed in farming.⁴ For the other 50.6 percent, farming is a secondary occupation. This reduction in the agricultural population has been a consequence of inadequate farming allotments, which have always been small and broken up. Thus, productivity was not satisfactory and mechanization was not easily

achieved, with the result that many farmers, who, because of the low productivity of their land, could not ensure an adequate income, emigrated or moved to the country's major cities---particularly Athens. In order to concentrate agricultural holdings into one or, at the most, two plots, and to reorganize agricultural allotments, a system of redistribution of land was inaugurated at the end of the 1950's. Up to the present day, land redistribution has succeeded in uniting about 600,000 hectares---the final aim of the program being to cover 1,300,000 hectares. Together with land redistribution the collective farming system has been promoted and during the last 20 years has made considerable progress, particularly in cotton, grape and fruit production. Thus during the period 1958 to 1978 agricultural production was mechanized to a satisfactory degree, working and living conditions in the countryside were improved, agriculture income was increased, self-sufficiency in wheat was achieved, olive production was up, as was the production of fruit and vegetables and of manufactured agricultural products which are exported chiefly to the countries of the EEC and the Middle East. Production of cotton more than doubled; tomato production was quadrupled and the country became self-sufficient in the production of sugar. During the same period, large fruit and vegetable packing and refrigerating units, slaughterhouses, and other similar necessities, which have helped significantly in the exploitation of farming and stockbreeding production, came into operation in the countryside. The reorganization and development of Greek agriculture to its present standards have also been made possible by the

building of a large network of trunk and secondary roads which began during the 1960's and allowed agricultural products to be transported more easily and to reach the markets of the major urban centers quickly and in good condition. Irrigation dams have also been built and marshes and lakes have been reclaimed, which has provided large areas of fertile and productive land for cultivation.

Although Greece today exports nearly all the products of a vegetable nature (tobacco, cotton, fruit, currants, wine, olives, etc.), she imports livestock products from abroad (meat, milk, cheese, livestock fodder). This is because stockbreeding constitutes only just over 30 percent of Greek agricultural production and the annual rate of increase in livestock production is relatively low. The result of this situation is that meat imports cover about 20 percent of annual consumption and the country spends approximately 400 million dollars per annum on meat from other countries. Greece does not possess large expanses of wooded land. The Government's present aim is to develop forestry so as to produce sufficient timber to meet internal demand and make exports. Most areas of mainland Greece and the islands are suitable for the development of forestry. Fishing in Greece is going through several problems, due to a significant reduction in the amount of marine life, increases in the cost of building fishing boats, the continual rise in the cost of fuel, increases in the wages of crews, and a drop in the number of seamen employed in fishing.

In 1980, the gross value of agricultural production (at stable prices) increased by 5.9 percent. This rise in agricultural produc-

tion was entirely due to a 10.6 percent increase in vegetable production. There was a 43 percent increase in the production of tomatoes for industrial use. There were also significant increases in the production of tobacco and sugar beets, but there was a drop in raw cotton production. The increase in vegetable production generally was due to increased productivity under cultivation. Production from stockbreeding remained at the same levels.⁴

Preparations are being made to ensure the greatest possible benefit from full EEC membership and the implementation of the common agricultural policy. At the same time, the quantitative, and even more the qualitative, adaptation of agricultural production to the needs of the home market and the possibilities of exportation to EEC and other countries, is aimed at. Finally, an effort is being made to improve the income of farmers in order to retain the agricultural population in certain important areas and avoid a worsening in the rational distribution of the population and of economic activities throughout the country.

Industry - Energy

The progress achieved by the Greek economy over the last 20 years is amply illustrated by the rapid development of industry, which increased its share of the Gross Domestic Product from 14.5 percent in 1962 to 35.5 percent in 1980 (at standard prices).⁴ This development has been accompanied by a substantial reorganization of the sector, with an increase in capital commodities, basic metallurgical products, and exports of industrial goods. Improvement in the structure of Greek industry has been achieved through the creation of

large units for the production of metal goods, chemical products and non-metallic minerals. During the years 1962-1980 there has been a drop in the share of the manufacturing product held by sectors such as the production of foodstuffs, tobacco, beverages, clothing, footwear, wood, furniture and paper. On the other hand, the textile, chemical, and non-metallic mineral industries have increased their shares. When the country became associated with the EEC, Greek industry and handicrafts were able to turn more and more toward exports. Since then, there has been a massive increase in exports of industrial products, and industrial exports now account for about 67 percent of the country's total exports. There has also been a significant development in the agricultural industry.

Greece is rich in mineral and metal deposits, and a great variety of minerals are contained in the country's subsoil. There are substantial resources of bauxite, lignite, iron-nickel, various sulphur-rich compounds, perlite, barytes, chalk, magnesium, kaolin, marble and other minerals. Greece also contains the biggest reserves of asbestos in Western Europe, while it is believed that there are exploitable deposits of uranium under Greek soil. Greece's production of bauxite is among the most important in Western Europe, and magnesite production amounts to 12 percent of total world production. Greece holds first place in Europe in reserves of nickel-containing iron ores. Greek deposits of chromite are still enormous, and there are important deposits of lignite and peat, while Greece is the larger exporter of bentonite to the Common Market countries. Apart from the oil deposits

which have been found under the seabed off the island of Thassos in Northern Greece, there are serious indications of the presence of even greater hydrocarbon deposits under the rest of the mainland and the sea, especially off the Ionian Islands, where research has already begun. Until 1958, most of the minerals mined throughout the country were exported in crude form, but since 1960, along with the increase in production, much more intensive processing---either partial or total---has been carried out. This development has resulted in the export of metallurgical products, which have risen from 0.1 percent of total exports of minerals in 1965 to more than 55 percent in 1980. The income from this secondary branch of the Greek economy has increased over the last twenty years at a rate faster than that of the national income as a whole. The result of this development has been for the contribution of industrial income to the Gross Domestic Product to rise from 24 percent to about 32 percent. More particularly, income from mining has increased twelve times over. During the period 1960 to 1970 a large percentage of the country's minerals were put to work domestically, with the result that many opportunities for employment were created and the inflow of foreign exchange from the export of minerals increased significantly. There was a corresponding development in the manufacturing sector, which during the last 20 years has adequately met the increased demand for industrial products both at home and abroad, through the setting up of new technologically advanced units and the modernization and extension of the existing ones. Thus, during this twenty-year period, employment in manufacturing increased

by 48 percent and productivity by 190 percent. There has also been a striking increase in the production of electricity to cover domestic needs and industrial demand. This has been achieved through the use of the country's water resources and the rich deposits of lignite. At the present time approximately 63 percent of the country's electricity is produced from domestic resources and 37 percent from oil.

Greece imports about 10 million tons of crude oil annually. This is used for the production of liquid fuel and electrical energy. For the production of electricity the country also uses its own lignite and hydroelectric power. About 74 percent of the total amount of energy consumed in Greece each year is produced from the imported oil for which the country pays around 1.5 billion dollars a year. Of solid fuel, about 80 percent is lignite and 20 percent imported pit coal. The country aims to reduce its degree of dependence on imported oil, when pumping of the first Greek oil---found under the sea off Northern Greece---will begin. The Government is pushing on with programs for the more extensive use of lignite deposits and the exploitation of the country's water resources, while it is negotiating the purchase of natural gas from the Soviet Union to be delivered by means of an extension of the existing pipeline which comes as far as Bulgaria. Greece has four refineries. One is state-owned and the other three are in private hands, one of them in Northern Greece. ⁴

Greece does not possess a nuclear reactor for the production of electrical energy, but plans to acquire her first nuclear power station in 1985 and thereafter to add one unit to its potential per year.

The basic aim of the energy policy is to ensure an adequate supply. It is planned to achieve this through a reduction of energy consumed per unit of production, the increased use of local energy resources (lignite, water power) in fulfilling energy requirements, and a more rational composition of the energy balance.

Domestic and Foreign Trade

During the last twenty years there has been a considerable turning towards trade on the part of the Greek population---trade concentrated largely in Athens. The traditional machinery of commerce is rapidly altering and trading establishments are being reorganized along the lines of modern business practice. Thus in recent years commercial companies of considerable size have developed in home trade, wholesale and retail, and in the import and export business. The majority of establishments are small. Trade, wholesale and retail, including banking, insurance, and real estate companies, were responsible for 15.4 percent of the Gross Domestic Product in 1980. At current prices, the income realized by trade reached 160 billion drachmas.

Greece is still a country which depends to a great extent on other countries for the imports of raw materials, machinery for her industrial development and the modernization of her agriculture, foodstuffs, automobiles, electrical appliances and a large quantity of other foreign goods. In the past twenty years, an effort has been made to substitute a proportion of the imported goods with home-produced equivalents. This aim has been achieved to a certain extent, insofar as Greek industry has been developed and the quality of Greek products

improved. In order to earn valuable foreign exchange and to exploit home production of industrial and agricultural goods, Greece has made every effort to introduce and promote Greek products on the foreign markets. Since the beginning of the 1960's, the development of Greek exports has been impressive. In 1960 the total value of Greek exports was only 203 million dollars: in 1980 it reached three billion dollars. The majority of Greek exports go to Common Market countries (Table 1).

However, Greek products have also claimed a notable share of the market in Arab countries, with which Greece has traditionally friendly relations.

Side by side with exports, a large number of Greek companies have undertaken technical construction works in countries of the Middle East and North Africa, where tens of thousands of Greek technicians and experts are currently employed. The State encourages by every possible means the further increase of Greek exports, backs exporters, and participates in every event designed to promote Greek products abroad.

Balance of Payments

Greece regularly pays, in order to buy goods from abroad, two or three times more in foreign exchange than what she received from Greek products sold abroad. The result of this is that the trade balance is in deficit. For example, in 1980 goods to the value of 7.5 billion dollars were imported, while the value of exported goods was 3 billion dollars (Table 2).

Table 1. Greek Foreign Trade 1980
(in thousand US \$)

Areas	Imports	Exports
EEC	3,334,985	1,251,233
Eastern Europe	580,607	380,077
Rest of Europe	664,122	132,899
America	1,399,571	427,220
Asia	1,047,973	581,898
Africa	201,636	216,400
Oceania	47,186	7,738
Unallocated	61,650	1,034
GRAND TOTAL	7,337,730	2,998,499

Source: Based on information from the National Statistical Service of Greece, Annual Report, Athens 1980.

Table 2. Balance of Payments
(in million U.S. \$)

	<u>1980</u>
Imports	7,357
Exports	2,991
Trade Balance	-4,360
Invisible Receipts	4,133
Invisible Payments	1,032
Balance on Invisibles	3,101
Current Account Deficit	-1,259
Covered by Net Capital Inflow	1,668

Source: Bank of Greece, Athens, 1981

This deficit is, however, reduced to zero by the funds which flow into the country in the form of tourist, shipping, and emigrant exchange as well as by funds imported for private investments, either in production or real estate.

Tourism

During the last 25 years Greek tourism has been transformed into a source of income of primary significance for the country. The annual rate of increase in the number of foreign visitors has a stability which produces striking figures. In 1960 foreign tourists numbered about 400,000: 20 years later this figure had multiplied by fifteen times. In 1965 income in tourist foreign exchange was U.S. \$107,600,000: it was twelve times that in 1980. During the last ten years Greek tourism has been transformed into one of the most dynamic areas of productivity in the national economy, with a climbing rate of tourist arrivals and takings in foreign currency. The rate of increase is 20-30 percent or more each year. According to the official figures the number of tourists who visited Greece during the last nine years was 29,100,000. The basic aim of the tourist policy is the exploitation of underemployed or idle productive potential through the creation of the necessary framework and installations (health resorts, winter tourism, etc.). Another aim is the distribution of tourist installations throughout the country on the basis of town and country planning, in order to reduce undesirable effects on the environment and to halt further tourist development of area or localities which show clear signs of saturation or other problems.⁵

Conclusions

After the Second World War, the necessary conditions for Greece to begin her efforts to develop socially and economically existed only from 1950 onwards, while the real improvement of the Greek economy began, in effect, in 1958. Between then and the present day, the Gross National Income has increased three-fold. The same has occurred with the per capita income, which today is in excess of \$3,800. The contribution of income from the agricultural economy has diminished from 27 percent to 17.3 percent, with a corresponding increase in industrial income. This rapid increase in income has resulted in a real improvement of the standard of living of the population---a fact reflected today in both the quantitative increase and qualitative improvement of private consumption. These improvements have been rendered possible by the investment of significant amounts of capital which has set in motion and expanded the country's mechanism of production and has permitted a real increase and modernization in the productive potential, with a consequent increase in the total productivity of the economy.

What I have said so far goes to prove that there has been substantial progress towards adjusting the Greek economy to the conditions of the European Economic Community. This, of course, does not mean that we are not going to be faced with problems and difficulties during the ensuing period of transition. But the dynamism of the Greek economy, following the implementation of the association agreement with the EEC, is a guarantee that these difficulties can be overcome.

III. THE FOUNDATION OF THE EUROPEAN ECONOMIC COMMUNITY

HISTORICAL BACKGROUND

The name "Common Market" itself was coined by the French statesman Aristide Briand, who submitted a detailed scheme for a European union, first to the League of Nations Assembly in 1929, and then to all the European governments in the following year.⁶ He was a few years too late: the rise of Fascism in Italy and of National Socialism in Germany, together with the stresses of the Great Depression, made it impossible for the governments to get together and make a practical start on his scheme. In any event, the lesson of 1914-18 had not been fully learned: another and even more terrible war was necessary to convince them that Europe could only survive by becoming united, or at any rate more united than it was. The decisive impulse was in fact given by Europe's need for outside aid after 1945. This aid, offered by America, was subject to certain conditions, the main one being that the states which were to receive it should set up a joint organization to manage the resources thus made available and to work out a common economic policy. The Marshall Plan thus led to the establishment of the Organization for European Economic Co-operation (OEEC) which later became the Organization for Economic Co-operation and Development (OECD) and now serves to bring Europeans, Americans, and Canadians together.

At the same time, following on the Communist take-over in

Czechoslovakia and Hungary, western defense became a matter of some urgency. It could not be effective without German participation, but France could not take the risk of another war with a re-armed Germany. Some way had to be found of making such a war not merely impossible but unthinkable. One obvious way was to integrate the coal, iron, and steel industries of the two countries, because you cannot make war without steel (and vast quantities of it) and you cannot make steel without coal and iron. This was what the French Foreign Minister, Robert Schuman, proposed in his declaration of 9 May 1950, after consultation with the West German Government.⁶ Italy, Belgium, Holland, and Luxembourg---this last an important steel producer despite its very small size as a country---also came in on this scheme, which took definite shape as the European Coal and Steel Community, later merged with the European Economic Community (the Common Market) and the European Atomic Energy Community (Euratom), which originally consisted of the same six countries.

The essential features of the ECSC were as follows:⁶

1. All three industries, in all six countries, were placed under the overall supervision of a supra-national High Authority which served as the prototype for the EEC Commission and was later merged with it.
2. To ensure that vital national interests were not ignored or over-ridden by this body, a Council of Ministers, representing the six member-states, was set up with the exclusive right to make certain major decisions.
3. A parliamentary assembly was also set up to provide some measure

of democratic control, together with a consultative assembly bringing together producers, and a European Court of Justice to ensure that the rules were kept. All these institutions were copied or simply used as they stood by the EEC when it was established a few years later.

4. Among the High Authority's powers were those of setting production quotas for the six countries, deciding on rail freight charges for the products which it controlled, and preventing various forms of unfair competition.

5. The ECSC was not dependent on financial contributions from the member-states but had its own resources from the start in the form of a levy on the turnover of the nationalized and other firms whose activities it controlled, and a special levy on sales of scrap within the Community. This, however, was used to subsidize imports of scrap from other countries.

After lengthy negotiations, the prime ministers and foreign ministers of the six ECSC countries signed the Treaty of Rome (1957), setting up the European Economic Community with the institutions, which will be described later. The EEC, popularly known as the Common Market, was basically an economic union, ultimately requiring a political union to make it work: its founders intended and stated that there should be such a political union in due course, but without specifying exactly what form it would take. The Treaty's immediate objectives, however, were to get rid of all obstacles to the free movement of people and of resources between the member-states, and to promote economic growth throughout the Community. The first thing to

remember about the Common Market is that it is not a country but consists of countries, or to be more accurate, of states. We cannot begin to understand the Community unless we know something about all the states of which it is made up.

First in size and political importance---though West Germany, the United Kingdom, and Italy all have larger populations---is the French Republic. French economy is better balanced than the German, the Italian, or the British, mainly because the distribution of people between cities and industrial areas, smaller towns, and the countryside is approximately right.⁷ Germany, and still more Britain, are over-urbanized: Italy remains excessively rural except in the north, and at the same time much of the country is mountainous and not very productive. France has the further advantage of close links, generally closer than Britain's, with her former colonies. On the whole France has gained substantially from being in the Common Market, but there have been problems. One of them is that Italy can produce ordinary wines cheaper and in larger quantities though France remains supreme where quality wines are concerned. French is the main administrative language of the Community, in which most policy documents are usually thought out and drafted. This is a tradition which became firmly entrenched in the first twenty years of the ECSC and of the EEC in its original form, before the new members joined, French being used by Belgium and Luxembourg, as well as by France, and by nearly all the African states associated with them: it was also the second language of most educated Italians and of many Dutchmen and Germans.

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This linguistic bias has been a considerable advantage to France.

West Germany has the largest population (though at present declining slightly) and is generally regarded as the second of the four major member-states. Her economy is the most powerful, though heavily dependent on imported energy and on imported labor, but her elongated shape is something of a drawback, greatly adding to transport costs. Another problem is that she is very vulnerable from a military point of view. West Germany does not have the same problem of large areas as France but she has others: small, languishing districts along the Iron Curtain, over-development and pollution in some of the industrial areas, and excessive dependence on imported labor. Finally, there is the problem of the "guest workers," most of whom now come from outside the Community. With rising unemployment the Federal Government has, therefore, tried to reduce their numbers by sending them home when they lost their jobs or when their work permits expired, and refusing to admit any more. Politically Britain has been up till now one of the more solid and stable member-states of the Community: economically she is among the weakest. This may seem a paradox and calls for some explanation. All the present member-states except Britain and Ireland were overrun by Germany or the Allies, and most of them by both, during the Second World War; Belgium, Holland and some parts of Germany have been invaded repeatedly over a period of centuries. An invasion usually means loss of life and extensive damage. It also creates a great deal of hostility between those who remain loyal to their own side at all costs and those who for any reason choose to cooperate with the enemy.⁸ England has not gone

through this kind of trauma since the civil wars of the seventeenth century. On the other hand, the British economy has not been as great an asset to the Common Market as Britain has been to the political community. There are several reasons for this, the most important being the existence of a number of problem regions. In general their problems in the United Kingdom are due to their dependance on declining industries or to severe depopulation rather than to inefficient farming.

Italy has the interesting distinction of being the guardian of the Treaty of Rome. This was signed in her capital, and the original copies in French, German, Italian, and Dutch are therefore lodged with her Government along with the Treaties of Accession signed fifteen years later by Britain, Denmark and Ireland.⁸ Economically, as well as politically, however, she is the weakest of the present member-states. Politically her main handicaps are the existence of too many parties and the considerable strength of the extreme left and the extreme right. Economically, Italy suffers from her elongated shape. The south is too far from the industrialized north, which also has the best agricultural land, and further still from the prosperous core of the Community. Central Italy is already much better off roughly on a level with Scotland though still well below the Community average. It produces most of Italy's wine and contains most of the places for tourists to see. The climate and soil are generally better, there is more industry, and the heartland of the Common Market is a few hundred miles nearer. The north has most of Italy's industries,

the best land, and a far better network of roads and railways than the peninsula. Indeed it has some advantages even compared with other industrial areas of the Community: thus its labor force is entirely Italian and does not cause the same social problems as North Africans in France or "guest workers" in West Germany. But it also includes mountain areas which have suffered from depopulation and especially from the loss of their younger people. The oil crisis could also, in the long term, strengthen Italy's position within the Common Market not only because she is a minor but useful producer of oil and of natural gas, but because she is a major producer of hydroelectricity and is better placed than any other member-state to collect and use solar energy once this can be done on a worthwhile scale.

Belgium, the home of the main Common Market institutions, is in a sense far more European than Belgian. Most political parties exist in duplicate with a separate organization on either side of the internal frontier: a few are based on linguistic nationalism and only operate on their own side. The internal frontier is also the approximate dividing line between older and often declining industries (coal, steel, textiles) and modern light industries, which moved into the northern half of the country at a time when wages were generally lower there, and the influence of the Church could keep the Socialists and Communists down, which meant fewer strikes.

Most people think of the Netherlands simply as "Holland," and the two provinces of North and South Holland have, in fact, over four-fifths of the country's population and the lion's share of industry

and trade, but there are nine others. From a political standpoint Holland is unique in having parties, and much else besides, organized largely on a religious basis. Dutch industry is heavily dependent on imported raw materials, as it has been for centuries. On the other hand, internal communications by road, rail, or inland waterways are less of a problem than anywhere else in Europe because most of the country is absolutely flat or gently undulating. Transport costs are therefore not as high as elsewhere, and are further reduced by the fact that most of the manufacturing towns are very close to each other. The Common Market has given the Dutch economy a considerable boost because Holland serves as Germany's main outlet to the sea, handling even more of her foreign trade than Hamburg, and as the main distribution center for Middle East oil coming to Europe. Finally it may be worth noting that Holland is a major producer of natural gas, while it is not impossible that oil will be found in her sector of the North Sea.

For over a thousand years, Denmark is the oldest state in Europe. Most people think of Denmark as an agricultural country: it is in fact more industrial than agricultural, but the Danish farmers give the nation its distinctive character, and much of Danish industry consists of processing various agricultural products which are then exported as bacon, butter, cheese, or beer. Even in the cities---and Copenhagen is the only really large one---the link with the land remains strong, and farming interests carry a great deal of weight in Danish politics.⁹

The states which created or later joined the Community nearly

all sacrificed a measure of national sovereignty for the sake of something else which they regarded as more important. Ireland is unique in that she joined for the sake of greater independence, hoping to gain what the others gave up. The reason is that her economy was seriously unbalanced by the United Kingdom's massive share in her foreign trade, both as a customer (essentially for agricultural products and high-quality textiles) and as a supplier (of nearly everything else).⁹ The British were more or less in a position to decide how much they were prepared to pay for her beef, butter and bacon: all other customers were much farther away and on the far side of a tariff wall. They could also dictate the price she would have to pay for their cars, washing machines, and television sets, again because other suppliers were much farther away and transport costs would have made up for any difference in the factory price of the goods. Ireland's accession to the Common Market had immediate and beneficial consequences for her farmers, but was less helpful to manufacturing firms, producing mainly for the protected Irish market. Hence unemployment, which has always been relatively high, continued to rise. This, however, was partly due to the fact that young Irish workers, who had previously emigrated to England, or worked there on a seasonal basis, now had more confidence in their own country's future and preferred to stay at home until a job was available locally.

Luxemburg is the smallest member-state of the Community. The country is so small that most of what it produces is exported while most of what it consumes is imported, the proportion in both cases being well over 80 percent.⁹

All the present member-states have three things in common at least besides the fact of being in Europe. In the first place they all have a per capita income and, what is more important, a standard of living well above the world average. This is true even of Italy as a country, though possibly not of its poorest regions. Secondly, by comparison with the rest of the world, they all have a very high proportion of their working population in manufacturing industries and the services sector, and a relatively low proportion in agriculture. This is less true of Italy and of Ireland than of the other seven, but even they have a minority of their population on the land. Thirdly, every one of them is a parliamentary democracy with a multi-party system, and this is indeed a condition of membership.

If the Community survives at all it is not because it can depend on the European will of the European people but because the nine states, as states, want to go on working together. It will only progress as far as they want it to progress, and only so long as they feel they can generally trust one another.

The Common Agricultural Policy

Though the Commission and Council are concerned with many other matters, agriculture is generally recognized as one of the most important. Every one of the member-states has its own Ministry of Agriculture; nearly all the major decisions in this sector are now taken by the EEC authorities. The basic principles of this policy are set out in Article 39 of the Treaty of Rome.¹⁰ They include:

- i) increased productivity through technical progress and the best use

of all the factors of production, in particular manpower;

ii) a fair income for the farming population;

iii) the stabilization of markets;

iv) security of supply;

v) reasonable prices to consumers.

An important part of the Commission's work is aid for the modernization of farms. It involves two main aspects: a) getting excessively small farms up to a viable size by encouraging older farmers to retire and helping younger farmers to buy up their holdings; and b) helping these younger farmers to reorganize and improve their production, e.g. by mechanization or by switching over from dairy to beef cattle. Financial aid is provided by national governments and in some cases by regional authorities, but only on certain conditions:¹¹ i) those receiving Community aid must be full-time farmers or nearly full-time; (ii) they must be competent farmers; (iii) they must submit a development plan, get it approved by their national or regional authorities, and keep accounts throughout the period when it is being implemented; and (iv) once the plan has been carried through, the farm must provide them with an adequate income on a level with the average income of nonagricultural workers in the same area. Hence it must be of adequate size, either from the start or when they have taken up land released by the retirement of elderly farmers or by others who leave agriculture for industry. This policy of modernization is not being carried out uniformly. British agriculture was generally "modernized" before the United Kingdom

joined the Common Market, and the same is largely true of Denmark and of Holland. In Italy, and especially in the south, the main problem is lack of education. Few farmers would be able to draw up a development plan or keep detailed accounts for six years. At the same time the very small and "uneconomic" farmers, who must be induced to clear out if the policy is to work, are so numerous that very serious problems would arise if they all went. It is better for them to be poor and underemployed on their own land (often with the possibility of seasonal work in the building trade, etc., to supplement their incomes) than desperately poor and wholly unemployed in the cities.

In West Germany there are other considerations: the need to maintain a reasonably large population in districts close to the East German frontier, where industry is often reluctant to invest, and a feeling that there is something beautiful and worthwhile in farming as such, and that one does not want to reduce the number of people engaged in it.

An interesting aspect of the CAP is the very small number of people directly involved in running it---no more than fifty senior officials including the Commissioner and the Director-General, and about 1000 EEC staff altogether with secretaries, typists, and a proportional share of the linguists who serve the Community as a whole, but may spend about one-third of their working hours interpreting at meetings of management committees and farm experts or translating agricultural policy documents. This for a sector which spends about \$200 million a year from EEC funds (over 70% of the Community budget), and is concerned with the livelihood of 11 million farmers,

crafters, and farm workers, and the survival of 258 million inhabitants of Western Europe, not to mention Africans and others who may receive food aid in an emergency. There can hardly be a government department in the world which handles so much business with so few officials.¹²

Industry and Technology

An essential objective of the industry and technology policy is to make the Community more competitive, especially with the United States and Japan, and create a single industrial base. This involves, in particular:

- (i) getting rid of anything which breaks up the internal European market;
- (ii) encouraging the creation of "European companies";
- (iii) encouraging co-operation between companies which do not wish to merge but merely to work together in research and development or sales promotion, for instance: this is the one really successful aspect of the Commission's efforts so far;
- (iv) encouraging the development of high-technology industries (computer and aerospace in particular);
- (v) modernizing certain traditional industries (shipbuilding, paper, textiles);
- (vi) opening up contracts for public works.

Other aspects of the industry and technology policy include efforts to evolve a common approach to multinational firms (both American and European) and to the problems which they can create by their very considerable economic power---some of them have a larger

budget than several member-states---and, at the other end of the scale, to find ways of making small and medium-size firms and craft industries more viable. A very interesting Industry and Society symposium was organized in Venice in 1972 with the participation of 120 industrialists and trade union leaders as well as Commissioner Spinelli and several senior EEC officials. The area which it covered included several distinct policy fields: industrial, environment, regional, and social. Its main themes were: (i) industrial development and the reduction of social and regional disparities; (ii) industrial development, public relations, and the quality of life; (iii) the Community's place in the world.¹³

The Commission has also considered the problems involved in setting-up a European aerospace industry, making the Community competitive with the United States. Here America has a tremendous start both in the production of airliners and where light aircraft are concerned. This is due to the fact that, with a higher standard of living and a lower population density, many more Americans than West Europeans fly, though the Community's population is larger. For distances of less than 300 miles it is usually more satisfactory to drive or take a train than to fly, once allowance has been made for time spent at airports and in getting to them; and inter-city travel in the Community, more often than not, involves distances of 100-300 miles, whereas in America is usually going further. The home market base in the United States is therefore much stronger; but in the Community there is not even a home market base in the accepted sense. The Commission is trying to set one up.

As part of its industrial policy, the Community is taking measures both to restructure its textile industries and to protect them by means of negotiated quotas against excessive competition by low-wage countries and city-states (Pakistan, India, Singapore, Hong Kong, Taiwan, and South Korea). It is also taking steps to help the paper pulp, paper, and board industry. This involves the encouragement of forestry and recycling, financial help with anti-pollution measures, which are necessary in themselves, but whose cost could otherwise put firms out of business, often in regions which already have serious employment problems, and cooperation with non-member-states which export wood pulp paper and newsprint (essentially Finland, Sweden, Norway and Canada). The difficulties which the Commission has encountered in its efforts to develop an industry and technology policy are mainly political. Governments feel obliged to do something for their own people and therefore continue to award contracts on a national basis. Thus engines for the Belgian railways are still made in Belgium, although France, the United Kingdom, and West Germany are all much bigger producers. It is always possible to find technical reasons for placing the work in one's own country, for instance reliability, delivery dates, greater facility in maintaining contact as the work progresses, but the simple fact is that no government likes to miss an opportunity of keeping down its own unemployment figures. Again, there is a well-entrenched tradition of "over-manning" in some countries, especially Italy and the United Kingdom, for social reasons. Workers were prepared to accept relatively low wages, combined with a

cost of living appreciably lower than that in high-wage countries such as Switzerland, West Germany, and Sweden, in return for an easier pace, and felt it would be selfish of 300 men to hog the work and wages that could be spread out between 500. Industry was geared to these arrangements, which did no real harm so long as the cost of living could be kept down, since the total wage bill for producing 1000 cars, for instance, was not necessarily higher in countries with lower wages and lower productivity than in those with higher wages and higher productivity. They could even be advantageous since, with the British system, there was a certain amount of slack that could be taken up in a crisis. Thus, if 20% of the men were off sick, the others could work overtime or simply work a little harder and production would hardly suffer. The trouble has come with British workers expecting something like German wages while retaining their British habits and practices. This had led to serious difficulties at a time when industry already had to face other problems due to the general recession and the high price of oil. Governments have to follow policies which are acceptable to their own people in the short term or in the medium term. They cannot work on a long term basis unless they are dictatorships or permanent coalitions (as in Switzerland). This had made it impracticable for them to arrive at a common industrial strategy.

Yet another problem is the rooted dislike of large firms, and of "capitalism" in general, in several countries. This had so far made it impossible to set up the sort of firms that could stand up to American competition in the aircraft and data processing industries in particular.

Economic nationalism also plays a part in other fields than the award of public contracts. Each country wants to get in its own supply of scarce raw materials and other requirements, and this makes the agreed allocation of basic supplies impossible except where the Commission is acting and has the power to decide.

A further difficulty arises through the need to take into account the interests of developing countries. They would like a bigger share of the market for labor---intensive, low-technology industries (e.g., textiles and footwear); but the Community states are reluctant to concede this, since it would throw very large numbers of their people out of work and further increase European dependence on outside sources of supply.

These problems are largely insoluble in the absence of a European government with quite considerable powers; this itself is politically not on in present circumstances and difficult to envisage in the foreseeable future.

The Common Market and its Future

The creation of the Common Market has dramatically reversed 2000 years of history. Centuries of wars and national hatreds, which culminated in two world wars in this century, have been ended as far as the ten member nations of the European Community are concerned. The Common Market has been successful far beyond the hopes of the greatest optimists of 25 years ago. In this short time, its rapid progress, in spite of countless problems, has had an impact on every person living in the countries of the Community.

The Common Market has also had a great impact on the rest of the world, which is now faced with a community of growing economic and developing political power. As the world's largest trader, the Community is vital economically to countries all over the world. This rapidly increasing economic strength has been accompanied by social, political, and psychological advances. The attitude of the rest of the world toward the European countries has dramatically changed because of this peaceful revolution, with a full economic and monetary union expected in the 1980's.

We have stressed that the Community is making a major effort toward greater economic integration. It is also clear that the policies involved that will eventually lead to such an economic integration also serve the aim of political integration. The issues involved cover basic economic technical and political problems: the elimination of barriers to trade, the development of a consensus for improving the common agricultural policy, the formulation of programs reducing the disparities of the various regions of the Community, the establishment of adequate machinery to deal with monetary and fiscal crises, the harmonization of social policies, the evolution of vigorous and effective Community institutions, and the development of healthy relations with the rest of the world.

In the field of trade, Common Market officials have consistently emphasized that the Community will be "liberal" and "outward-looking" in its policies. Nevertheless, outside countries have been greatly concerned about the possibility that the Community may seek increasing

protection behind the wall of its customs union in the face of internal pressures. In 1968, the Community succeeded in establishing a customs union among its members, removing all tariff barriers as well as establishing a common external tariff that is one of the lowest among all industrial countries. The Common commercial policy also includes trade or association agreements with more than 50 countries, making the Community a powerful trading entity.

A Common Agricultural Policy (CAP), which abolished barriers to farm trade and set common price policies for farm products, has probably been the most controversial issue in the history of the Community. Many of the difficulties were rooted in the structure of European agriculture and complicated by wide variations in the importance of agriculture in individual countries. The desire to attain self-sufficiency in agriculture was stimulated by two world wars.

The basic aims of the Community's industrial, energy, and raw materials policies are the encouragement of overall industrial growth and the elimination of technical barriers to trade (for example, improved safety standards). The problem of developing a coherent Community-wide energy policy has been difficult. The dependence of all Community members on energy imports has forced the Commission to give special attention to this serious issue.

In the area of economic policy, another serious issue centers on the capacity of the Community to withstand monetary and fiscal emergencies in one or more of its member states or to survive a prolonged worldwide or European recession. There is some question

whether the Rome treaty provides adequate equipment for dealing with such crises. Community officials are working hard to shape directives and programs to liberalize monetary and fiscal restrictions, to ease the movement of capital, and to coordinate domestic economic plans.

The most crucial issue affecting the Community's future, however, is the role that national differences will play in the shaping of its political character and structure. This involves not only the persistence of rivalries among member-states but also the divergent ways in which national objectives are related to the concept of European unity.

The nations of Western Europe have come to realize that, to preserve their free democratic institutions and become an independent political entity, they must proceed beyond mere economic unification. They would remain economically and politically ineffectual in today's world unless they sought to establish a European Union with central political and economic institutions. By integration, Europe will become economically and politically powerful and a major factor of peace and stability throughout the world.¹⁴

CHAPTER IV

THE ENTRANCE OF GREECE IN THE EUROPEAN ECONOMIC COMMUNITY

The Association Agreement

The Treaty of Accession of Greece to the EEC was signed in the Zappcion Hall in Athens on May 28, 1979. The full application of the Treaty, as it had been officially agreed, began on January 1, 1981. Before that it was ratified by the parliaments of the nine member countries of the EEC. The Treaty of Accession had already---in June, 1979---been ratified by the Greek Parliament with an impressive majority. Greece's choice to become a full member of the EEC was not only an economically determined choice. It was also a political one.¹⁵

Greece believes deeply in the idea of a United Europe. She has constantly proclaimed her belief in the idea. Characteristic in this respect is the speech of the Greek Prime Minister, Mr. Constantine Karamanlis, during the ceremony of the signing of the Treaty of Accession. Addressing the leaders of the European countries on May 28, he said: "This is for me a deeply moving moment. A constant vision and an unshakeable belief in the necessity for a United Europe, and in the European destiny of my country have today, after 18 years, been vindicated." Greece's full membership to the European Community is indeed the result of many years of effort. Already, in 1957, when on the Capitol Hill in Rome the "Six" (Belgium, France, Germany, Italy, Luxembourg and Netherlands) signed the Treaties which brought into being the European Economic Community (EEC) and the European Atomic

Energy Community (EURATOM), Karamanlis, Prime Minister of Greece then, saw the importance of that event. Thus on June 8, 1959, Greece officially applied for association with the European Economic Community. Negotiations began between Greece and the EEC and on July 9, 1961, the Association Agreement was signed in Athens and began to apply on November 1, 1962. In April of 1967, the Commission of the EEC "froze" the relations with Greece provided for in the Association Agreement. Only the current functioning of the Customs Union was left in operation. Immediately after the reestablishment of democracy in Greece, on August 22, 1974, the Greek Government applied for the full and immediate reimplementation of the Agreement. Europe's reply came promptly; on September 17, 1974, the Council of Ministers of the EEC decided to reactivate application of the Association procedures. On November 26, 1974, the Greek Government informed the EEC in a memo of its desire for full membership, and on June 12, 1975, the Prime Minister, Mr. Karamanlis, officially submitted Greece's application for entry to the Council of Ministers of the EEC.¹⁵

From that moment the Prime Minister of Greece began a round of contacts and summit talks. He had meetings with all the European leaders and discussed with them the issue of Greece's accession to the EEC and got round the difficulties which were met with. Efforts continued undiminished and with persistence. Greece encountered difficulties, but in these she was also met with understanding, assistance, and sympathy. Thus on April 4, 1979, at the meeting with the ministers of the EEC countries in Luxembourg, the final problems still pending were solved and negotiations effectively came to an end. On Monday, May 28, 1979, Greece became the tenth member of United Europe. It was both the end of

a difficult journey and the starting point of a new era.

Greece has a democratic government and one of the fastest growing economies in Europe. But even the cradle of democracy needs a bit of support now and then. Greece has been looking for that support in Europe. Greece needs Europe for many reasons. Greek politics are still dominated by the threat of a war with Turkey, first over Cyprus and now over the latest bout of troubles in the Aegean Sea. Greece would be pushed to win a full-scale war with Turkey, which has an army three times the size of its own.

Greece's traditional ally, the United States, is now viewed with bitter hostility because the Americans cooperated with the colonels' junta between 1967 and 1974 and because they did nothing to stop the Turkish invasion of Cyprus in 1974. Greece's iron curtain neighbors are not an attractive alternative to America. The one obvious remaining partner is Europe. In Greek eyes, Europe can do no wrong. Unlike the United States, the EEC did not cooperate with the colonels. After the 1967 coup, the EEC put the 1962 Association Agreement with Greece on ice. The Council of Europe expelled Greece from membership. The Greeks now believe that another Colonel's junta would be hard put to take power once Greece was in the EEC because its European partners could, and would, bring sanctions to bear.

The economic arguments for membership are equally persuasive. Trade between the EEC and Greece grew six-fold between 1961 and 1973. The EEC now takes half of Greece's exports. Greek exports to the EEC grew nearly ten-fold in value during that period.¹⁶

Greece may want the EEC, but does the EEC want Greece? The

answer is only partly yes. That Greece needs Europe in order to consolidate its democracy betrays the fact that democracy in Greece is not itself rooted very deep. Can an already sickly European club of democracies really take in a fresh southern European liability? A liability which will pose grave problems to the economy and practical working of the community as well. Nearly all the nine governments still have doubts about full membership for Greece, but none of them want to risk political obloquy by voicing its fears. It was left to the EEC Commission to underline the problems in its opinion on Greek entry. It welcomed the Greek application, but listed a number of problems and concluded that Greece should go through a pre-membership phase first.

Public opinion in Greece is pro-European. In the one and only opinion poll on EEC membership, taken in Greece by the Institute of Communications Research on April, 1976, 60 percent said it would help Greece and only 18 percent thought it would be harmful. Businessmen and trade union leaders all profess themselves to be in favor of membership. A minority of industrialists are worried by the prospect of EEC competition, but are kept muzzled by the industry federation. The president of the Greek Confederation of Labor put the attractions of Europe this way:¹⁶

I want Greece to join the European family for political reasons. I want to stop the dictators ever taking power again. I want Greece to have a quiet political climate so that we can enjoy stability. Europe will give Greece modern methods of production, now neglected by owners of Greek capital. It will bring better conditions of work and better social security. There are risks, of course, but then there are risks in every worthwhile effort.

Opponents to Greek entry say that Greece is too poor to join the EEC's club of rich economies but Greece is catching up fast. In 1962,

Greek GNP per head was only a third of the EEC's. By 1974 it had reached half the community's level. Greece owes its success in the past ten years to the growth of its industrial production from a small base. Greek industrial production between 1962 and 1975 increased by an average of 9.4 percent a year, against only 3.7 percent for the Nine. And there is still plenty of reserve manpower in farming for continued industrial expansion.¹⁶

Greece's two major economic problems have been its inflation and its trade deficit. Inflation exploded in 1973, when the colonels' price controls collapsed and oil prices hit the roof. In the 12 months to December that year, inflation was running at 31 percent. But now Greek inflation is not that much worse than the rest of the EEC's. The trade deficit has been a more persistent worry. In 1975 Greek exports covered only 40 percent of the cost of Greek imports. Inside the EEC, the Greek balance of payments would benefit by the net gain from EEC funds, but its trade deficit would still be the major constraint on growth.

Although Greece expects to make some concessions to the EEC, it hopes to get the bulk of its demands through. The key issues to be settled are:¹⁶

a) The transitional period. With certain reservations, Greece has indicated its willingness to accept a five-year period for adjusting to full membership, which would correspond roughly with the 1984 deadline foreseen in the original Association agreement.

b) Industrial free trade. In view of the progress already made under the Association agreement toward removal of internal and alignment of external tariffs, Greece argues that the Customs Union could be

completed over a five-year period without undue difficulty, although for some sensitive sectors like textiles a second five-year period would be necessary. Apart from tariffs, Greece continues to protect its market by a barrage of nontariff barriers that will have to be gradually eliminated. These include import licensing and prior deposits on some goods as well as technical and safety standards, health regulations, preference for locals in public tenders, etc. The EEC is also likely to press for changes in Greece's system of aids to exporters, which could distort competition especially in intra-EEC trade.

c) Agriculture. Greece is willing to accept the EEC's Common Agricultural Policy and comply immediately with its rules and prices for a wide range of products---including fruit and vegetables, cereals, wines and olive oil---on which the CAP would work to Greece's advantage (and to the disadvantage of competing Italian and French growers). It has also requested that the Common Agricultural Policy rules be extended to cover cotton and dried grapes (raisins and sultanas), of which Greece is a major producer and the EEC a negligible one. On the other hand, meat and dairy products present problems for Greece that would require a five-year transitional period.

Agriculture may cause fewer problems than might appear at first sight, partly because Greek fruit and vegetables come into the market earlier than in other EEC countries; partly because Greece seems willing to weed out its least efficient farmers. Moreover, the quantities involved are not enormous---but here again, the Community negotiators must keep one eye on their forthcoming membership talks with Spain and Portugal.

d) Regional policy. Greece admits that its system of regional aids will have to be overhauled, and in fact is already moving to replace its present complex investment incentives with a simple grant system more compatible with that of the EEC. It does not intend to ask for special favors, but would expect its fair share in the Community's Regional Fund.

e) Greece's budgetary contribution. Greece has asked for flexibility in paying its future share (about five percent) of the EEC budget, even after the end of the transitional period. It contends that, in view of Greece's relatively high dependence on imports, the requirement that customs revenues be turned over to Brussels would be unfair.

The EEC's Difficulties From the Accession of Greece

It has been argued in various circles that the entry of Greece into the EEC as a full member would give rise to political difficulties, substantial financial burdens on the Community's funds, problems of monetary equilibrium, and procedural complications.¹⁷ Although I have no doubt that there are some difficult problems to be solved, I nevertheless believe that these arguments are unfounded for the following reasons.

Problems of a Political Nature

It has been said that if Greece becomes a full member of the Community, she might hinder the accession of a neighboring country when it matures economically. Greece cherishes and advocates democracy and peace and has never displayed any enmity towards neighboring countries. As an example, I would like to mention the Balkan Conference, which was held solely on Greece's initiative. The argument that Greece must not be

accepted into the EEC because after 15 or 20 years she might obstruct the accession of another country is untenable. References to this dispute are surprising, especially since other countries are faced with similar problems---for instance, Britain and Iceland or Ireland and Britain---and yet they were not brought up during the discussions concerning their entry into the Common Market. I therefore fail to see why the accession of Greece could affect relations between the Community and her neighboring countries, which are after all safeguarded by the existing Association agreement. In fact, if the country in question were socially and economically prepared for immediate accession, Greece would raise no objection. It should therefore be considered a welcome development in the Community's history that the Council of Ministers has set aside such arguments and accepted Greece's application for entry as a member of the Community.

Economic Problems

At its present stage of development, the Greek economy is faced with certain structural problems which affect its ability to combine on an equal footing with the economics of the EEC members. Some of these problems are the absence of balanced regional development, the high proportion of rural population, the structure of agriculture and the still relatively weak industrial base. Some structural changes are therefore essential. Part of the cost of these changes will be borne by the Community through its various funds, according to the arrangements existing for member countries. The extent of the resources to be made available for these purposes depends on the changes that will have to be carried out. The Commission estimates, on the basis of the Community's budget for 1976, that the accession of Greece will burden the various funds of

the EEC with around \$360 million a year, after deducting Greece's contribution.¹⁷ But this financial burden couldn't be used as a serious argument for postponing the accession of Greece, for two main reasons: first, even if it reaches the amount estimated by the Commission, it will still be very small compared with the Community's total budget. Second, it is well known that in the EEC there are considerable differences in the degree of economic development, among countries as within countries. As an example, I will mention the disparities existing in this respect between Northern and Southern Italy, as well as between the industrial and the backward areas of Britain.¹⁸ Furthermore, the problems that make life difficult for the Greek farmer are similar to those faced by his Irish counterpart. But neither regional disparities nor agricultural problems have been reason enough to debar Italy, Britain and Ireland from joining the EEC.

The Community has repeatedly stated its intention to embrace all the democratic nations of Europe for the ultimate purpose of establishing a political union. For the EEC has repeatedly declared that it will supply all possible aid for the development of underdeveloped areas outside Europe. It is therefore self-evident how important it is to support a European country like Greece, in its effort to harmonize with the countries of the EEC.

Problems of Monetary Equilibrium

The accession of Greece is not going to create monetary problems for the EEC. This is because for many years after 1953 Greece combined rapid economic development with exemplary monetary stability. It was only after the numerous errors of the dictatorship that the economy

experienced high inflation and a large balance-of-payments deficit. The rate of inflation has been checked, however, since the return to power of the new democratic government. Consequently, the accession of Greece will cause far fewer problems than those created by the entry of certain other countries into the EEC. The same is true of the Greek balance-of-payments. The balance of trade has always run a deficit. But, thanks to invisible receipts, the deficit on current accounts is limited and is largely offset by the autonomous inflow of venture capital and other mostly private Greek capital. The only exception was the 1974-77 period, in which the balance-of-payments ran a large deficit. This, however, was mainly due to the high inflation brought about by the unwise policies of the colonels and the sharp rise in oil prices, which, among other things, was responsible for the inflationary conditions from which very few countries had escaped. Meanwhile, the balance-of-payments deficit has been brought down considerably and expected to show a further significant drop during the current year.

It should also be mentioned that, owing to the limited extent of the national territory and the small size of the economy, the accession of Greece will necessitate only marginal changes in the agricultural, regional, social and monetary policies of the Community. Therefore, in view of the dynamism of the Greek economy, the adaptability of the people, and their resolve to take all the administrative, organizational and structural measures required, the problems to be posed for the Community by the accession of Greece are certainly going to be smaller than those that were entailed by the entry of other countries. At the same

time, however, one must take account of the direct and indirect benefits that will accrue to the Community from the accession of Greece.

Agriculture

Agriculture is a substantial sector in Greece. Given the relatively well-developed common agricultural policy (CAP) of the EEC and the expectation that Greek agriculture must adopt the CAP rules, it is anticipated that the whole sector will be affected in a profound way.¹⁹ The Greek economy is based on agriculture, although manufacturing is growing in importance as an income earner. The country is self-sufficient in wheat, rice, and potatoes but must still meet many of its food needs through imports. In an effort to increase farm production, the government has pressed programs of land reclamation, more intensive cultivation, irrigation, and the use of scientific farming methods. The principal agricultural products are tobacco, cereals, grapes, olives, cotton, citrus fruits, and dried fruits, although there is some temperate climate farming in northern Greece. Overall, Greece is a small net exporter of farm goods.²⁰

A well-known fact is that the agricultural sector of the Greek economy suffers from basic structural weaknesses. It is typical of this sector's backwardness that, while it employs 29 percent of the country's economically active population, it accounts for only 17 percent of GDP, while for the nine members of the Community, the corresponding ratios are nine and five percent (Table 3). Furthermore, in 1973, the value of Greek agricultural output (at 1970 prices) per farm worker was \$1,400 against \$3,200 in the EEC. These figures illustrate the structural problem and the relatively low productivity of Greek agriculture, which is due to the suboptimal combination of the factors of production.

Table 3. Comparative Data for Greece and the EEC

Country	Area (thous.sq.km).	Population (000)	Employment (000)	Percentage breakdown of: (a) GDP ¹ and (b) employment					
				Primary production		Secondary production		Services	
				a	b	a	b	a	b
		1974	1974						
BELGIUM	30.5	9,772	3,799	4	4	40	41	56	55
FRANCE	547.0	52,492	21,165	6	12	46	39	48	49
GERMANY, WEST	248.6	62,054	25,705	3	7	52	49	45	44
DENMARK	43.1	5,045	2,355	8	10	40	32	52	58
UN. KINGDOM	244.0	56,068	24,767	3	3	42	42	55	55
IRELAND	70.3	3,086	1,047	18	24	34	31	48	45
ITALY	301.3	55,361	18,898	9	16	41	44	50	40
LUXEMBOURG	2.6	357	157	4	9	42	49	54	42
NETHERLANDS	40.8	13,545	4,550	5	7	45	36	50	57
EEC-9	1,528.2	257,780	102,443	5	9	46	43	49	48
GREECE	132.0	8,962	3,320	17	29	29	26	47	40

Sources: Observer, No. 74.
Economic Surveys, France, Jan. 1976.
Economic Outlook, No. 18, Dec. 1975.
Main Economic Indicators, Mar. 1975.
EUROSTAT, Basic Statistics of the Community, 1973-1974.
UN, Monthly Bulletin of Statistics, Jan. 1976.
ILO, Yearbook of Labor Statistics, 1975.
Ministry of Co-ordination and Planning, National Accounts of Greece, 1958-1974 and 1975.

The elimination of these weaknesses will be speeded up by the greater effort to be made immediately with the accession to the EEC. In this respect, Greece will be helped considerably by the Community's common agricultural policy which, according to the principles embodied in the Treaty of Rome, is aimed at increasing productivity in agriculture, stabilizing the market for farm products, facilitating product marketing, maintaining the prices of agricultural products at reasonable levels, and ensuring a high standard of living for farmers.²¹

The establishment of the EEC has had a favorable effect on the agricultural sector of its member states, which were far from being uniformly developed when the Community was first set up. A comparison between the years 1966 and 1973 shows that, under the EEC's common agricultural policy, most member-states have made considerable headway in enlarging farm establishments. In Germany, farm size has increased from 10.3 hectares in 1966 to 13 ha. in 1973; in Belgium it has gone up from 7.5 to 13.1 ha. and in the Netherlands from 9.2 to 13.9 ha. respectively.²² This means that the Community's C.A.P. has helped to improve productivity in agriculture. Large sums have been spent for this purpose. In 1972, the European Agricultural Fund spent 2,500 million units of account, compared with 60 million units in 1964.

The Greek agricultural industry will benefit from price supports and export subsidies under the Community's common agricultural policy. This will result in increasing the income earned by Greek farmers, since the prices of several farm products, such as wine, fruit and vegetables, are lower than in the EEC. However, although the better prices of certain farm products will naturally be an incentive for Greek farmers

to increase their output, the possibility that this might lead to oversupply in the Community does not exist. Owing to its temperate climate and varied soils, Greece enjoys a comparative advantage regarding agricultural products which are in short supply in the EEC. This means that Greek agriculture does not compete against the agricultural production of most of the Community's members.

The most important gain, however, will come from the technical and economic assistance to be provided by the Community's Special Funds to bring about the complete restructuring of Greece's agricultural industry; its major weakness is the large proportion of the work force employed in small farm businesses. The 1971 census showed that agricultural holdings averaged 3.5 hectares and were made up of an average of seven parcels of land at a considerable distance from each other. Holdings of this size and degree of fragmentation are uneconomical as they prevent the construction and operation of proper irrigation systems, farm mechanization, and the adoption of advanced farming technology already in use in the developed countries. Consolidation of farm holdings and the exodus of the rural population towards the cities and abroad have resulted in some progress, but the process has so far been slow and inadequate.

Although technical and economic assistance under the EEC's common agricultural policy will speed up the necessary reforms, Greece must set up a special fund to finance the purchase of farmland by extending loans at low interest rates. By attracting more people from the rural areas to the cities, the increasing industrialization of Greece will facilitate to a considerable extent the effort to set up viable farm businesses.

Therefore, together with the effort to enlarge agricultural establishments, it will be necessary to support farmer co-operatives and encourage group farming. As regards cooperative farmer associations, it will be necessary to study the models found in the EEC and adapt them to local conditions. In some instances, agricultural cooperatives have achieved notable results and their significance as poles of collective productive activity must not be underestimated. Group farming has also been successful in many types of crop cultivation and it will be necessary to pass appropriate legislation to regulate the organization and activities of group farms.²³

We may now proceed to examine the prospects of the main Greek agricultural products and the manner in which they might be affected by the membership. During the half century tobacco has been Greece's most significant export commodity. Before World War II Greece was the most important exporter of tobacco to the large German Market. Unfortunately for Greece, the abnormal conditions of the war and early postwar years in Greece and Western Europe led to large-scale substitution of Virginia tobacco for Oriental. Greece's exports of tobacco to other Western European markets have also been faced with strong Turkish, Bulgarian and other competition, and in recent years they have either stagnated or increased insignificantly. The future of Greece's tobacco exports does not appear encouraging. The income elasticity of demand for tobacco products in Western Europe is low and so is the price elasticity. Much lower than the latter is the elasticity of demand for Oriental tobacco with respect to changes in the rate of import duty. The price of tobacco products to EEC consumers consists of the cost of Oriental

tobacco, the import duties, the costs of manufacturing and distribution, and the various excise and other indirect taxes. Tobacco products are a common target of finance ministers who tend to levy high rates of taxes on them. Greece's tobacco exports to Eastern Europe have shown some promise in recent years. However, their expansion, and even their maintenance at present levels, depends on bilateral trade arrangements. The countries of Eastern Europe have been exporting industrial goods and animal products to Greece. Since the Association reduces the Greek duties on imports of such goods originating in the EEC, a reduction in imports from Eastern Europe may impair Greece's ability to export to this area. A certain allowance made in the Athens Agreement for safeguarding Greece's bilateral trading interests might prove quite inadequate, especially in relation to possibilities of expanding trade with this area.²⁴

Cotton is the second most important Greek export. It has advanced to that position even though it is a relatively new export. Generally, it appears likely that in the future Greece's cotton exports will be in better position than her tobacco exports. However, a forecast of the long-term growth in cotton would be very difficult. There is a huge market for cotton in Western Europe, and Greece supplies less than one percent of its requirements. The anticipated rise in Greece's cotton exports must depend largely on her ability to gain a larger share in this market at the expense of cotton from the United States and other sources. Greece has a favorable soil and climate and her cotton yields per acre are among the highest in the world. The quality of her medium staple is very high. Experts advise that through an expansion of appropriate systems of irrigation, drainage, mechanization and other improvements

she should be able to reduce her production costs, improve her quality further, and standardize her cotton exports. Since she now supplies such a small part of the Western European requirements, the price elasticity of demand for her cotton could be very high. However, the possibility of further substitution of artificial for natural fibres is an important uncertainty to reckon with in the forecasting of long-term changes in cotton exports.

Greece is a big exporter of the kind of farm goods for which EEC prices are little higher than world prices (like fruit), as well as a net importer of meat, milk, cheese, and cereals, for which EEC prices are way above world prices. And the extra output encouraged by high CAP prices may not find a ready market. Most of Greece's specialties, such as peaches, tomatoes and olive oil, are also produced in Italy and other Mediterranean countries to whom the EEC has promised to open its markets. Happy though Italy and France may be politically at the prospect of a new member from the south, their farming interests will clash head-on with Greece's in the entry bargaining. The day of the peach mountain and the olive oil lake may not be far off.

The Greek government is aware of these dangers. It has drawn up plans for agricultural reform, aiming for more efficient marketing cooperatives to cut sales costs; a reallocation of land ownership (at the moment many farms are split up into large numbers of separate units); and encouragement to farmers to produce new varieties of, for example, peaches which ripen earlier or later than their rivals.

Greek farming productivity will certainly get a sharp boost in the next few years for demographic reasons, even if there are no other

improvements. Greece has already moved some way towards harmonizing its farm policy with the CAP, so there will be few dramatic price changes when Greece joins as a full member. Roughly speaking, meat prices will drop, cereal prices will remain the same and fruit and vegetable prices will rise. The only farmers who will suffer directly will be meat and dairy producers who will face competition from northern Europe.

We have to attach great importance to the institution of agricultural corporations, which are new to Greece and seem to embody the features needed to give a prompt and successful solution to the pressing problem of small and badly fragmented farm holdings. Agricultural corporations offer horizontal combinations, i.e. the consolidation of farm holdings, plus the vertical integration of all stages of production, including industrial processing and product marketing. This institution will reduce the cost of production and the profits from industrial processing will mostly accrue to the producers. At the same time farmers will be rid of middlemen in the handling and marketing of their products. If an institution of this kind, which is new, is to succeed, it will necessitate a persistent effort and, especially, the systematic guidance of farmers.

The improvement of productivity in agriculture will release a considerable amount of manpower. Its transfer to industry should cause no additional problems. The reason is that industry will resume its spectacular growth after the recent temporary slowdown brought about by cyclical factors, and will thus create new employment opportunities to absorb the work force that will flow in from the rural areas.²⁵

Finally, mechanization will be one of the most important means

for modernizing the agricultural sector of Greece and harmonizing it with the advanced agricultural system of the EEC. Through further agricultural mechanization, it will be possible to free manpower so that the country's agricultural industry will cease being a captive of its own work force, which is now employed on the land at high opportunity cost.²⁶

A further reason for which agriculture must be modernized at a fast pace is that, following her membership to the EEC, Greece will be forced to make the same tariff concessions to third countries as the Community. This implies that farm products from the developing areas of Africa and the Middle East will be allowed earlier entry into the Greek market, where they will compete against domestic products. Consequently, if Greek farming fails to improve, it will risk losing ground not only to European farm products, but also to those imported from third countries.

If the necessary steps are taken, however, the benefits to be gained by the Greek agricultural industry from Greece's entry into the EEC will be far greater than any adverse effects that might result from the membership in the short run.

Industry

Greek industry---dependent on imports for raw materials, machinery, and fuel---is mostly small-scale. Some foreign investments have contributed to an increased expansion of manufacturing industries, however. The chief industries are: textiles, chemicals, foodstuffs, and beverages, small-scale machinery and shipbuilding, iron and steel, a sizeable aluminum plant on the north shore of the Gulf of Corinth using local bauxite, and a \$250 million industrial complex that includes a steel plant, chemical plant and oil refinery.

Owing to its great dependence on imports for essential resources, Greece has a chronic deficit in its balance of payments. As in the case of Italy, tourism and the remittances of Greek citizens who emigrate to foreign countries are substantial aids to the balance of payments.

Manufacturing industry has expanded at a faster rate than the economy as a whole and the contribution of industrial exports to total exports has risen from less than six percent in the late 1950's to more than 50 percent in the mid-1970's. However, there are many indications that the expansions of manufacturing industry has been less than satisfactory and has lagged behind that of other southern European countries such as Spain, Portugal and Yugoslavia.²⁷

The OECD economic survey for Greece noted that investment in manufacturing in Greece amounted, on average over the period 1960-1976, to three percent of GDP against four-five percent for OECD countries. The survey also remarked that the growing contribution of manufactured products to total exports has come mainly from exports of processed raw materials (e.g. cement and nonferrous metals) and light manufacturers (e.g. textiles, clothing and footwear). Technologically more advanced products have performed poorly by comparison with those of other southern European countries. The fact that almost all capital goods and technology have to be imported increases the cost of industrial production and reduces competitiveness. And the small amounts of money earmarked for scientific and technological research make it impossible for Greek industry to sell technological innovations. It has been calculated that per capita expenditure on scientific and technological research in the

other EC countries is 10 times higher than in Greece, and that the rate of industrial investment is five times higher.²⁸

Some industries will undoubtedly suffer from Greek EEC membership. Electrical appliance makers will go under, just as they did in France, in the face of Italian competition. Industries likely to do well include textiles, food processing, chemicals, fertilizers and cement, all of which have blossomed over the past decade. A large chunk of Greek industrial output is made by small factories, producing simple goods like bricks or bolts. Naturally there are fears that these will be put out of business by multinational monsters from the EEC. But low labor costs, high adaptability and local knowledge are likely to keep most of them in business. There are fears that full EEC membership may herald a new surge of multinational investment in Greece. These fears may well be right. In the past, foreign capital has been scared off by Greece's unstable politics and occasional bouts of nationalization. Inside the EEC, Greece should be a more attractive base for investment. The collapse of Beirut has brought a lot of financial business to Athens which could in turn spur more foreign interest.

Some Greek economists fear, however, that Greek industry, 80 percent of which still consists of family businesses, will be overwhelmed by the EC's mass marketing and sophisticated technology for Greek industry, membership may well not bring any immediate new benefits, because industrial products have already had free entry into the EEC since 1968 under an association agreement. Instead, says an EC Commission official, "tariffs will start to come down on about one-third of EC exports into sensitive Greek industry sectors, and alignment with the EC's common

external tariff (CET) will bring down protection against third countries." ²⁹ At the same time, the recession in Western Europe will make it more difficult for Greece's mostly small, high-cost industries to sell in the EC. "The biggest problem is that Greek industry is used to selling in home market," says the former president of the Athens Chamber of Commerce. "It has not developed an export sales network." Nor has the Greek government had much success in luring foreign investment to revitalize industry, as Spain has been doing, in preparation for EC membership. ²⁹ Although Greece will have to bring its investment rules into line with EC policies, its small home market and its distance from EC industrial centers will continue to deter investors.

Despite these concerns, there are advantages for both parties. EC membership should make Greece's massive bauxite and other mineral reserves even more attractive to investors, among them France's Pechincy, which already has \$230 million invested. And while Greek shipowners will have to raise wages to meet merchant marine standards set by Britain and Germany, the Common Market will benefit from Greece's enormous---47 million tons---and efficient cargo capacity.

An additional advantage to be gained by Greece from the membership to the EEC will be the further penetration of Greek industry into the enormous European market of 260 million people. In this market, Greek industry will be able to specialize on the basis of its comparative advantages and industrial firms will be able---through mergers and acquisitions---to attain optimum size more rapidly. In the Greek economy there are recent examples of successful mergers and acquisitions, which

have produced scale economies, opened horizons for new products in new markets, reduced risks via diversification and strengthened business firms with new highly qualified managerial staff.³⁰

The smooth flow of Greek exports towards the Community will create strong incentives for speeding up investment in export-oriented industrial firms. We know how important it is to expand industrial exports in order to promote industrialization. The customs union between Greece and the Community has produced considerable progress in this respect.

When Greece joins the EEC as a full member, industrial ties between Greece and the Community will expand and become stronger for the following reasons:

First, it will become possible to finance a larger volume of industrial investment with European funds and to apply the latest technology and organizational procedures in the industrial sector.

Second, it will become easier to establish joint enterprises with the participation of Greek and European capital, which will also operate as channels for the inflow of funds, technology and organizational methods.

Third, it will become possible for industrial firms to attain optimum size, which is difficult for most of them owing to the limited extent of the Greek market.

Fourth, Greek industry will gradually absorb the Greek workers who are now employed abroad, especially in Germany, and number several hundred thousand. It should be noted that mass emigration of Greek workers, mainly to Germany, has created problems for both Greece and Germany. In Greece, the problem is related to the creation of shortages in the labor market. In Germany, it is related to the social,

political and economic impact resulting from the absorption of large numbers of foreign workers by the German economy. Consequently, both for Greece and for the host countries, it is preferable to employ Greek workers here, provided that suitable conditions are created.

Fifth, it will be possible to ensure the more systematic industrial processing of Greek minerals and ores, as well as other raw materials, which are now largely exported without previous processing.

Sixth, the protection of the home market against penetration by monopolies will be strengthened, as the Treaty of Rome expressly states that one of the basic aims of the EEC is to secure free competition. This general principle underlies a whole series of antimonopoly rules, which have been applied with particular stringency by both the Commission and the Court of Justice of the EEC.³¹

Finally, the European Investment Bank, the Regional Fund, the Social Fund and other bodies of the Community will help to tackle any difficulties that might crop up in the course of these developments.

As an example, we would like to mention that, on the Commission's recommendation, the European Investment Bank may grant loans at low interest rates and other facilities for the attainment of the goals of the members' industrial development policies. In the case of structural difficulties that prevent an industry from effectively coping with competition after the abolishment of tariffs, the member-state concerned may be allowed to take appropriate steps in support of the industry so affected.

It must be pointed out, however, that this is only done in exceptional circumstances, for the Community's stand in these matters, which

is also dictated by the general principles of the theory concerning economic unions, is to avoid interventions which hamper free competition and help sustain inefficient firms. However, this does not seem to apply to Greek industry, seeing that the initial effects from the gradual removal of the tariffs have already become apparent. In fact, the import duties in relation to the Community have been abolished on two-thirds of imported industrial products, while on the remaining one-third they have been reduced by 44 percent.³²

Trade

The Common Market has long been Greece's most important trading partner. In 1976 the nine took 39 percent or \$863 million of Greece's exports (up 18 percent on the year before) while providing 43 percent or \$2.37 billion of imports (up six percent)(Table 4). Since the beginning of the 1960's, the development of Greek exports has been impressive. Suffice it to say that in 1960 the total value of Greek exports was only 203 million; in 1978, it reached three billion dollars. We can see the progress of exports of Greece between 1973-1976 in Table 5.

Greek tariff policy is based in principle on the General Agreement on Tariffs and Trade (GATT), which Greece signed in 1947. It was later brought into line with the 1962 EEC Association Agreement. The Agreement establishes a customs union which covers all trade between the EEC countries and Greece, except that specified in the Agreement. Customs duties between the two parties, and all charges having an equivalent effect, as well as quantitative restrictions on imports, are to be abolished. Moreover, Greece will adopt the common customs tariff

Table 4. Foreign Trade by Area

	\$ Million				% Share 1976	% Growth		
	1973	1974	1975	1976		1974	1975	1976
IMPORTS								
United States	710	747	811	956	16.9	5.2	8.6	17.8
EEC	2,011	2,115	2,223	2,371	43.1	5.2	5.1	6.6
Eastern Europe	254	275	367	443	8.1	8.3	33.5	20.7
Other Europe	407	424	418	492	8.9	4.2	-1.4	17.7
Middle East	180	400	377	572	10.6	122.2	-5.8	51.7
Other	466	672	677	718	12.4	44.2	0.7	6.0
TOTAL	4,030	4,635	4,875	5,555	100.0	15.0	5.2	13.9
EXPORTS								
United States	233	316	293	338	15.1	35.6	-7.3	15.3
EEC	550	678	731	863	38.8	23.3	7.8	18.0
Eastern Europe	189	209	256	280	12.8	10.6	22.5	9.3
Other Europe	121	169	144	129	5.8	39.7	-14.8	-10.4
Middle East	32	92	111	274	12.4	187.5	20.7	146.8
Other	102	307	422	341	15.1	201.0	37.5	-19.1
TOTAL	1,230	1,774	1,959	2,227	100.0	44.2	10.4	13.7

Source: National Statistical Service of Greece, Athens, 1976/

Table 5. Commodity Structure of Foreign Trade

	\$ Million				% Share	% Growth		
	1973	1974	1975	1976	1976	1974	1975	1976
IMPORTS:								
Food & Beverages	756	585	530	622	11.2	-22.6	-9.4	17.3
Raw Materials	724	951	865	943	17.0	31.4	-9.0	9.0
Fuels & Lubricants	413	863	840	1,026	18.5	109.0	-2.7	22.1
Capital Equipment	1,163	1,257	1,462	1,542	27.7	8.1	16.3	5.4
Industrial Consumer Goods	948	941	1,143	1,388	25.0	-0.7	21.5	21.4
Freight Charges	23	35	32	32	0.6	52.2	-8.6	-1.1
TOTAL	4,030	4,635	4,875	5,555	100.0	15.0	5.2	13.9
EXPORTS:								
Food & Beverages	346	374	493	542	24.0	8.1	31.8	9.9
Tobacco	88	158	160	161	7.2	79.5	1.3	-0.6
Raw Materials & Semi-Processed Products	136	121	110	124	5.9	-11.0	-9.1	12.7
Mineral & Ores	73	103	134	136	6.1	41.1	30.1	1.5
Petroleum Products	46	123	86	73	2.8	167.4	-30.1	-15.1
Industrial & Handi-craft Products	496	851	944	1,160	52.7	71.6	10.9	22.8
Other	42	42	29	29	1.3	0.0	-31.0	-
TOTAL	1,230	1,774	1,959	2,227	100.0	44.2	10.4	13.7

Source: National Statistical Service of Greece, Athens, 1976.

of the EEC with regard to imports from third countries. Most of these changes will take place gradually during a period to be completed in 1984, after which Greece may become a full member of the EEC.

Regarding trade with third countries, Greece will gradually adapt her customs duties to the common external tariff of the EEC. An exception to the regulations regarding trade with third countries is provided for Greece's imports from countries with which she is linked by bilateral trade agreements. Greece can apply to such imports reduced duties, or even exempt them altogether from duty, provided that the duty applied shall not be lower than that imposed on imports from EEC countries.³³

Finally, through the European Investment Bank, Greece will receive development loans up to a total of \$125 million over a period of five years. This may be extended beyond this period depending upon investment needs and the availability of funds from other sources. The repayment of loans may extend up to 25 years.

An advantage which Greece hopes to gain from the membership, according to the Agreement, is that her exports to EEC countries will benefit at the expense of third countries, which export similar goods, and of certain American exports such as tobacco and canned fruit and vegetables. One of the main benefits Greece expects to derive from the membership with the EEC is that Greek exports will displace domestic products in EEC markets and gain a significant share of any expansion of these markets. Another benefit that seems to be expected from the membership is greater stability of Greek exports.

It should be noted that another advantage is that, when the free movement of goods and factors of production between Greece and the EEC

countries is established, capital and entrepreneurship will flow to Greece, from both the EEC and third countries in order to benefit from the abundance of certain resources, notably labor.

There are certain disadvantages or risks to which the membership is likely to expose the Greek economy. One disadvantage relates to trade diversion. Greek business and consumers try to purchase the goods they require at the lowest possible price. In the case of imported goods, the price they pay includes the Greek import duty. When the same duty is applied to a given commodity, irrespective of the country of origin, the foregoing behavior of business and consumers has as a consequence that Greece imports from the cheapest source. On the other hand, as Greek duties on EEC goods are reduced and abolished, many EEC goods which were more expensive than goods from third countries when the full duty was applied to the former will tend to divert their purchases to the EEC. The result is that the country will be importing these goods from more expensive sources.

It should be noted that the membership creates conditions which may compromise the long-term development of its economy. It exposes much of Greek industry to serious difficulties; it injects new uncertainties into the Greek economy; it restricts the country's freedom to conduct autonomous and flexible economic policies; it may contribute to emigration of capital and skilled labor; and it may entail stresses on the Greek financial, administrative and economic structure.

Finally, the Association provides no help for tourism and shipping, two export industries on which Greek development and foreign exchange earnings will have to depend very substantially. Business people in

particular assumed that when Greece joined the Community, American influence and economic ties would fall off, perhaps drastically. But as the Community portals open wide for Greece, both government and business sources in Athens agree that no such damage in Greek-U.S. relations will occur. In fact, there might well be improvement, depending on exactly what is being traded.

A very obvious advantage to the United States, in the view of business observers, would be a somewhat easier access to the Middle East markets through a Community of which Greece would be the established eastern link. For the last few years Greece has been carving out for itself with some success a role as Europe's trade link with the Arabs.

With trade between the Community and the Middle East, Western Europe might well find itself more ready to receive American goods and services. By strengthening trade ties with the East, the Community could feel more secure about cultivating those with the West.

On the level of world trading patterns, perhaps the most dramatic effect of Greece's accession will be in the sheer size of the merchant fleet that will be added to Western Europe's maritime strength. About 3,800 ships now fly the Greek flag, some 600 more than the nearest competitor, Britain. These ships will comprise more than a third of total EEC shipping power---a formidable negotiating weapon that will ensure that Greece's voice is heard in European shipping matters.³⁴

The Community's Advantages from the Accession of Greece

For the Nine, as well for Greece, political considerations outweighed economic factors in the decision to give a positive response to the Greek membership bid even before negotiations had begun. The Community is definitely interested in bolstering democracy in Greece. More problematic is the question of relations with Turkey, whose 1963 Association Agreement with the EEC also envisages ultimate full membership, now tentatively set for 1995. Meanwhile the Community does not want to be dragged into taking sides in present or future disputes between the two uneasy neighbors on the Aegean Sea.

Greece is a country with a small population and limited income. Consequently, in terms of market size, the advantages she will offer as a full member of the Community will be rather marginal. Nevertheless, Greece has certain features from which the EEC can gain considerable advantages.

The first such feature is that Greece has a wide variety of largely unexploited minerals and ores, such as bauxite, nickel-iron, copper, magnesium, chromite, asbestos, lead and zinc. In addition, judging from certain indications as to the presence of oil deposits in the Nestos river basin, in Western Greece and in the Ionian Sea, the quantity of Greek oil must be well in excess of the 80,000 barrels per day that has already been located off the island of Thassos. Europe, then, which is poor in terms of such resources, will be able to participate, in cooperation with Greek venture capital, in the exploration, systematic exploitation and industrial processing of Greek mineral wealth.

The second feature is the geographic position of Greece, which

lends itself to the establishment of industrial and other firms--- involving the collaboration of Greek with foreign venture capital---that will be aimed at penetrating the markets of the Middle East and Africa, where there are flourishing Greek communities and large Greek architectural, planning and engineering firms with a wide range of activities.

It should be noted that Athens is rapidly developing into the major financial and business center of the eastern Mediterranean and the Middle East, taking over from battered and demoralized Beirut. There are already 300 foreign firms established in the Athens area and there are opportunities awaiting many more.

The third significant feature in Greece's contribution to the EEC is the existence of a huge Greek-owned merchant fleet of 48 million gross registered tons, amounting to about 65 percent of the total tonnage owned by the Nine (Table 6). This is particularly important, since most of the community's external trade---accounting for around 38 percent of world trade---is seaborne. With the participation of Greece, the Community's greatly enlarged fleet of merchant vessels will be a factor of vital importance in international sea transport, since total capacity will be far in excess of that required to handle the Community's external trade. It will also play a major role in effectively combating the efforts of various countries to increase interventions in the world market for maritime services.

Finally, a further significant point is the geographic proximity of Greece to the oil-producing countries of the Middle East, especially now that the world is faced with a pressing energy problem. Greece can serve as a bridge between the Community and the Middle East,

Table 6. Developments in Greek and EEC Merchant Shipping
1962-1975
(million grt)

Year	Greek-Owned fleet ¹	EEC-9 ² fleet	EEC-6 ² fleet
1962	13.300	45.600	21.409
1963	15.025	45.940	21.818
1964	16.498	45.950	21.889
1965	18.575	46.130	21.901
1966	19.725	47.250	22.733
1967	21.821	48.720	23.848
1968	23.897	50.420	25.149
1969	26.932	53.830	26.334
1970	30.899	57.365	28.056
1971	34.102	59.600	30.280
1972	39.068	63.120	30.287
1973	42.625	65.725	31.262
1974	45.368	69.100	32.853
1975	48.298	74.282	36.437

Percentage Share in World Merchant Tonnage

Year	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Greek-Owned Fleet	9.5	10.3	10.8	11.6	11.5	12.0	12.3	12.7	13.6	13.8	14.6	14.7	14.6	14.1
EEC-9	32.6	31.5	30.0	28.8	27.6	26.8	26.0	25.4	25.2	24.1	23.5	22.7	22.2	21.7
EEC-6 ³	15.3	15.0	14.3	13.7	13.3	13.1	13.0	12.4	12.3	12.2	11.3	10.8	10.5	10.6

Sources: ¹ Review of 1976, published by the shipping journal Naftika Chronika, Piraeus, January 1976 (in Greek).

² Calculated from data published in Lloyd's Register of Shipping: "Statistical Tables 1975", London, 1975.

³ Belgium, France, German, Italy, Luxembourg, and the Netherlands

particularly the Arab countries, with which she has maintained close ties for several centuries.

To conclude this part, I would like to stress that it should not be forgotten that Greece is the only free, western-style republic in Southeastern Europe, maintaining cultural, ideological, traditional, humanistic and religious ties with the other European nations. Greece is therefore an outpost of democracy, freedom, peace and Greek-Western civilization in this area. I therefore think that it is in the social, political and economic interests of the Community to support and strengthen this outpost.

Greece's Advantages from her Accession to the Community

Since the economies of large countries already possess the capabilities that small countries seek to acquire by joining a wider economic group, economic unions are of greater importance to countries of limited geographic and economic size.³⁵ The entry of a small country into such a group has the direct effect of expanding its market. Moreover, it gives the possibility to benefit from the advanced and constantly improving technology of the developed member-countries, to become familiar with new organizational and managerial techniques, and to attract increased flows of venture capital. In view of the advantages ensured by economic unions mainly for the smaller participating countries, it is quite clear why Greece wishes to become a full member of the EEC.

The advantages to be gained by Greece from her accession to the Community are of two kinds: political and economic. Political advantages include the opportunity for Greece to participate in the collective bodies of the Community and thus be able to influence both economic

and political decisions. This means that Greece will nevertheless take part on an equal footing with the other members in formulating the common policies of the EEC. This is of great importance because the Community has become increasingly aware of the need for integration, which will one day lead to true economic and political unity.

Economic advantages include the opportunity for Greece to make use of all the facilities ensured by the Community for its members. EEC membership will mean:

1. Participation in the Common Agricultural Policy.
2. The dismantling of tariffs between Greece and other EEC countries and adoption of the Community's common external tariffs.
3. Receipts of regional aid from the EEC.
4. Freer capital movements between Greece and other EEC countries together with possible access, formal or informal, to EEC-arranged balance of payments finance.

The first two of these represent a change in relative prices and therefore impose a need for adjustment. The final two elements of EEC membership---regional aid and greater capital mobility---can be useful aids to this adjustment.

The net subsidy which regional aid represents can be used to encourage inter-industry mobility rather than to support declining economic sectors. Greater capital mobility will encourage direct investment in Greece and support the expansion of those industries most benefiting from the EEC.

The possibility of eventual access to balance of payments finance from or through the EEC raises Greece's creditworthiness and

would reduce the cost of capital to Greece, further facilitating the adjustment process. This presupposes that Greece's ability to finance a larger external deficit than it could finance without EEC membership, is not used to subsidize declining industries and hence to prevent adjustment.³⁶

One point that should not be overlooked is that, as a full member, Greece will enjoy duty-free access for its industrial products, not only to the Nine but also to those EFTA countries linked to the Community by free-trade agreements (Austria, Finland, Norway, Sweden, Switzerland and, to some extent, Portugal).

The advantages to Greece are clearer when it comes to trade in agricultural products. Not only will Greek fruits, vegetables, oils and wines be able to enter EEC markets free of the countervailing duties periodically levied on them at present, but Greek farmers will benefit from price supports and development aid under the CAP.

In addition, as a poorer member, Greece can expect to be a net beneficiary from the Community's regional and social policies. Greece already receives substantial development assistance from the Nine. The resources to be drawn from the EEC's Agricultural Fund, Social Fund, Regional Fund, and Monetary Support Funds will help Greece to restructure, reorient and modernize her economy.

A further advantage of membership derives from the free movement of labor between EEC countries. This would eliminate all restrictions on Greek emigrants seeking jobs in the Community, while guaranteeing those already working there equal treatment with local nationals. Already Greece's balance of payments benefits from some \$800 million

annually in remittances from emigrant workers, most of them in the EEC.

For Greece's huge maritime fleet, membership in the Community offers obvious opportunities and also some potential threats. Greek shipowners fear, however, that unless they can obtain favorable terms, they might be unable to maintain their highly competitive position under EEC rules. For one thing, if free labor movement were applied to this sector, shipowners would be forced to realign their much cheaper seamen's salaries with those prevailing in other EEC countries. Other worries are that future EEC common policies might cut into Greek shipowners' present freedom to operate under foreign "flags of convenience" and/or to buy their vessels cheaply from Japanese shipyards.

Important Actions for a Successful Accession

Under its new five-year economic development program, the Greek government is already planning ahead for the country's accession to the EEC. I shall now refer to the changes that must be carried out in individual sectors of the economy so that Greece can reach the desired result in a safer way.

In industry the strongest effort must be made by the industrialists themselves. This means that Greek businessmen must recognize with realism that the strong financial incentives, excessive protectionism and low labor cost, which ensured the fast and comfortable growth of their firms, belong to the past. This of course does not imply that there will be no incentives for industrial development; only that they will be adapted to the kind of incentives employed in the Community.

Furthermore, business firms must proceed to draw up investment programs involving a full-scale analysis of each alternative scheme's profitability, and should stop relying mainly on bank credit for financing their investments.

As regards regional development, it will be necessary to decentralize Greek industry in order to utilize the natural resources (mineral deposits, surplus manpower) and specific geographic position of each district. This is the only way to prevent the provinces from being stripped of their population, a tendency which will be aggravated by the further exodus of rural population towards the industrial centers. For this purpose, it will be necessary to draw up regional development plans and at the same time introduce incentives for social and cultural development in the areas selected for industrial decentralization.³⁷

As regards agriculture, a substantial role must be played, as I have mentioned, by farmer cooperatives and the Agricultural Bank, in order to bring about all those structural changes and improvements that are essential for raising productivity. In planning agricultural development, particular emphasis must be laid on organizing collective farming. Furthermore, it will be necessary to speed up the study of programs for restructuring agriculture, so that they can be financed by the Agricultural Fund under the Community's common agricultural policy.

To sum up, I must stress that all sectors (industry, agriculture, administration, etc.), social classes and institutions will be affected by the country's accession to the EEC. Their adjustment to the conditions prevailing in the Community presupposes a veritable revolution in the administrative machinery of the state, the banks, and public enter-

prises, as well as in the organizational methods of most private businesses. Education lies at the root of all the changes that have to be carried out and its modernization is the prerequisite and resultant of restructuring other social and economic conditions. Consequently, there is an imperative need for investment in "human capital," for this is a far more important factor of production than material resources.

The restructuring of agricultural and industrial production should keep moving at a fast pace so that Greece's economic structure will fit more efficiently into the wider context of the European Economic Community. The enlargement of farms, land consolidation, and the implementation of a rigorous program to increase the area of irrigated land would lead to a faster improvement in productivity.

It should be pointed out that, although Greece's current account deficit is relatively large, the country is not faced with balance-of-payments problems. This is due to the continuous increase in the inflow of funds from Greeks who live and work abroad. Capital inflows for investment in real estate and particularly the inflow of deposits made by Greek seamen and workers abroad are capital transfers which, to a large extent, are converted into local currency and could therefore be regarded as similar to emigrants' remittances. The government believes that the current account deficit has to be reduced. The foreign exchange policy that has been followed in recent years and is intended to be followed in the future has as its main objective the maintenance of the competitive position of Greek products, both in the domestic and in foreign markets.

Finally, the sector of public administration, which was badly disrupted during the dictatorship, will need to be fully reorganized, restaffed and adjusted to bring it in line with EEC standards. The government has drawn up an initial action program for the attainment of these aims. I am hopeful that it will be expanded to meet the requirements that will arise from Greece's entry to the EEC.

Conclusions

From what I have said so far it is evident that Greece's entrance in the European Economic Community is going to be at the hub of the nation's life and will concern everyone in Greece in the coming years.

To many Greeks, joining the EEC means joining Europe. In this sense, entry to the EEC will close a chapter that opened with the civil war of the 1940's and came close to taking Greece the other way, to the East bloc.

I have already referred to the advantages, that they will be both economic and political. The incorporation of Greece into United Europe will contribute effectively to her further economic development. It will at the same time act as guarantee for her security, freedom, and democracy. What Greek people need is organizing ability and self-discipline. It is only through appropriate organization that they can maximize the benefits and minimize the adverse effects of this accession to the EEC.³⁸

If Greece does succeed in joining the Community, then there would be momentous consequences for both. For Greece, it would mean the strongest political link it has ever enjoyed with West Europe. For the European Community, it would mean a new frontier and, for the first time, a gap in the Community's frontier (Yugoslavia lies between Greece and the rest of the Community). More importantly it would give the European Community a foot in the Eastern Mediterranean.

The enlargement of the Common Market should provide a challenge to, and incitement for, political decision-making leading to a powerful political entity with a growing impact on international developments.

H. Simonet, the well-known Belgian statesman, has written: 39

I would like to remind you of the importance which it will have for Europe and for Greece to belong to that part of Europe which has chosen democracy as its central political value. It is this consideration which, I believe, must guide us in our present efforts, but also in those which await the participants during the coming months.

Greeks must realize that, at this crucial moment of their history, it is imperative for their nation to establish a healthy and vigorous economy within the framework of the free democratic institutions to which it is devoted.

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